

ANALYSIS OF THE WATER DEVELOPMENT TRUST FUND FOR THE 1999-2001 AND 2001-03 BIENNIUMS (REFLECTING THE 2001-03 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)

	1999-2001 Biennium	2001-03 Biennium
Beginning balance	\$0	\$23,482,868
Add estimated revenues		
Transfers to date from tobacco settlement trust fund	\$13,479,737 ¹	
Remaining transfers from tobacco settlement trust fund	<u>10,003,131</u>	<u>\$23,882,800</u>
Total estimated revenues	<u>\$23,482,868²</u>	<u>\$23,882,800²</u>
Total available	\$23,482,868	\$47,365,668
Less estimated expenditures		
State Water Commission		
• Bond payments	\$0	\$8,636,398
• Operations	0	9,751,593
• Water development projects	<u>0</u>	<u>28,572,335⁵</u>
Total estimated expenditures	<u>\$0³</u>	<u>\$46,960,324</u>
Estimated ending balance	<u><u>\$23,482,868⁴</u></u>	<u><u>\$405,344</u></u>

¹ As of November 2000, six transfers have been made from the tobacco settlement trust fund totaling \$13,479,737.

² Estimated revenues - Interest earned on the water development trust fund is not included in the analysis due to the fact law does not allow the water development trust fund to retain interest earned. Any interest earned by the water development trust fund will be credited to the state's general fund.

³ Estimated expenditures - 1999 House Bill No. 1475 (NDCC Section 54-27-25) provides that moneys in the water development trust fund are to be used to address the long-term water development and management needs of the state. 1999 Senate Bill No. 2188 (NDCC Section 61-02.1-04) provides that bonds issued for flood control projects, the Southwest Pipeline Project, and an outlet to Devils Lake are to be repaid from moneys in the water development trust fund, as appropriated by the Legislative Assembly. The 1999 Legislative Assembly did not appropriate any funds from the water development trust fund for repayment of bond principal and interest; however, the Legislative Assembly did appropriate \$84.8 million from the water development trust fund for the purpose of repaying the line of credit extended by the Bank of North Dakota for interim financing. Approximately \$1.1 million for the Southwest Pipeline Project was drawn on the \$84.8 million line of credit. The funds were repaid with proceeds from the March 2000 bond sales, which will provide \$23 million for the flood control project in Grand Forks and \$4.5 million for the Southwest Pipeline Project. If necessary, a portion of the Grand Forks allocation may go toward the Wahpeton flood control project, depending on timing. The first payment of principal and interest accrued for the bonds is scheduled to be made in the 2001-03 biennium.

⁴ The estimated June 30, 2001, balance made at the end of the 1999 legislative session was \$25,917,197. The decrease in the estimated balance of \$2,434,329 is due to a decrease in the amount of tobacco settlement payments estimated to be received.

⁵ Water development projects - The 2001-03 executive budget recommendation provides the State Water Commission the authority to either spend up to \$28,572,333 from the water development trust fund for water development projects or issue bonds. The total authorization for water projects from bonding and the water development trust fund is \$62.3 million.

FUND HISTORY

North Dakota Century Code (NDCC) Section 54-27-25 created by 1999 House Bill No. 1475 established a water development trust fund to be used for the long-term water development and management needs of the state. This section creates a tobacco settlement trust fund for the deposit of all tobacco settlement moneys obtained by the state. Moneys in the fund must be transferred as follows, within 30 days of their deposit in the fund:

- Ten percent to the community health trust fund.
- Forty-five percent to the common schools trust fund.
- Forty-five percent to the water development trust fund.

North Dakota Century Code Section 54-27-25 also provides that transfers that would otherwise be made to the common schools trust fund during the biennium must be made to the water development trust fund until the amount in the water development trust fund is sufficient to make required bond payments for bonds issued for water projects authorized by NDCC Section 61-02.1-04. Once the amount required for the biennium is transferred to the water development trust fund, an equal amount must be transferred to the common schools trust fund, if available, from the moneys deposited in the tobacco settlement trust fund during the biennium. Once an equal amount has been deposited in each fund, transfers from the tobacco settlement trust fund will be allocated equally for the remainder of the biennium--45 percent to the water development trust fund and 45 percent to the common schools trust fund. The State Engineer has stated that deposit of 45 percent of the tobacco settlement trust fund into the water development trust fund would be adequate during the 1999-2001 biennium. Therefore, transfers to date for the common schools trust fund have not been redirected to the water development trust fund.

North Dakota Century Code Section 61-02.1-04, created by 1999 Senate Bill No. 2188, provides that the principal and interest on bonds issued for flood control projects, the Southwest Pipeline Project, and an outlet to Devils Lake must be repaid with moneys appropriated from the water development trust fund.